

Treating the Housing Crisis Like a Crisis

July 23, 2024



**NATIONAL
HOUSING CRISIS
TASK FORCE**

Executive Summary

The Task Force is on a tight timeline to propose mechanisms to *transform the housing ecosystem in the US so that people of all incomes can afford to live in the places they wish to call home.*

We need your:

- Critical feedback
- Critique of local innovations *and* mechanisms to scale
- Transformative ideas for the housing ecosystem
- Engagement on deliverables within your interest areas

A challenge

➤ We are in the throes of a uniquely severe crisis; let's treat it like one

A framework

➤ The local level knows it's a crisis; innovative solutions are emerging and can be scaled

An opportunity

➤ How does the crisis present an opportunity for transforming federal housing policy?

An imperative

➤ Working together to drive transformative solutions for the housing crisis

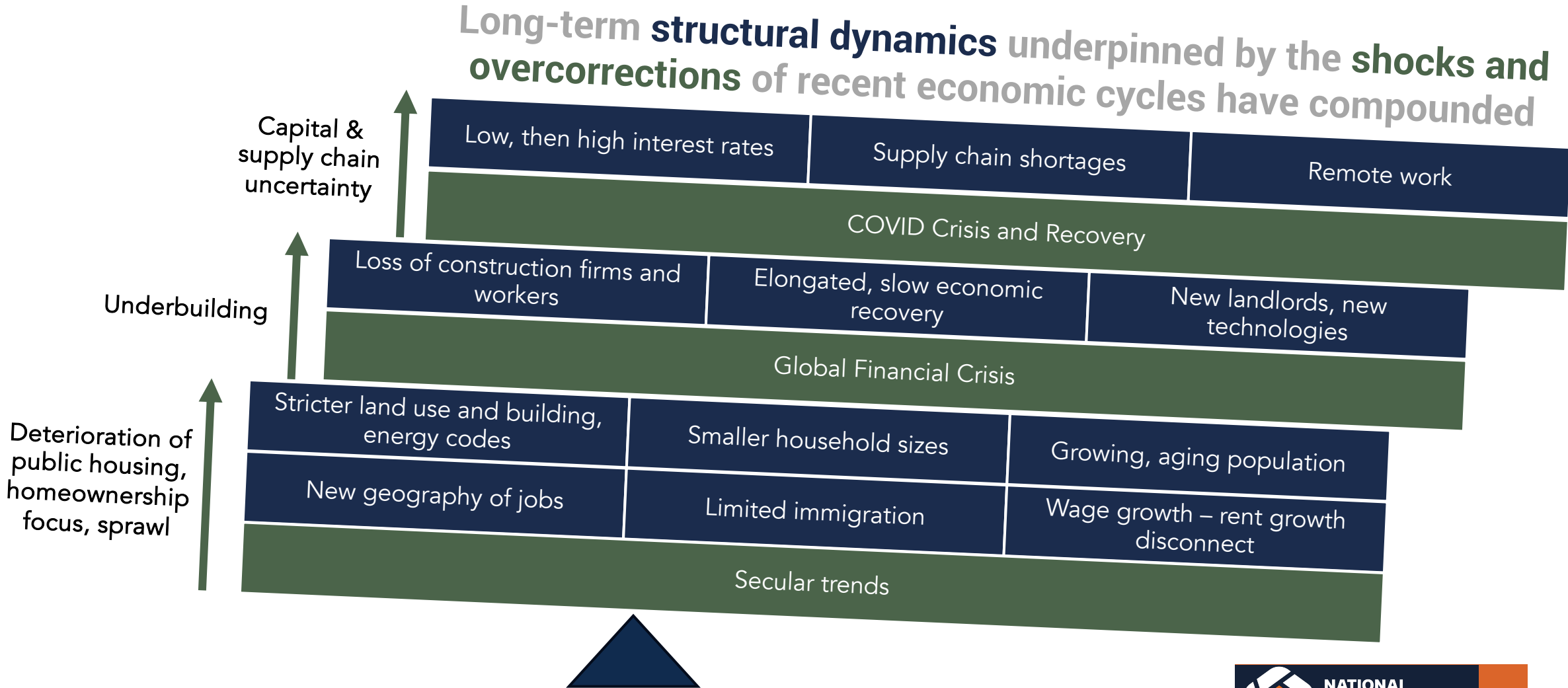


A challenge

We are in the throes of a uniquely severe crisis; let's treat it like one



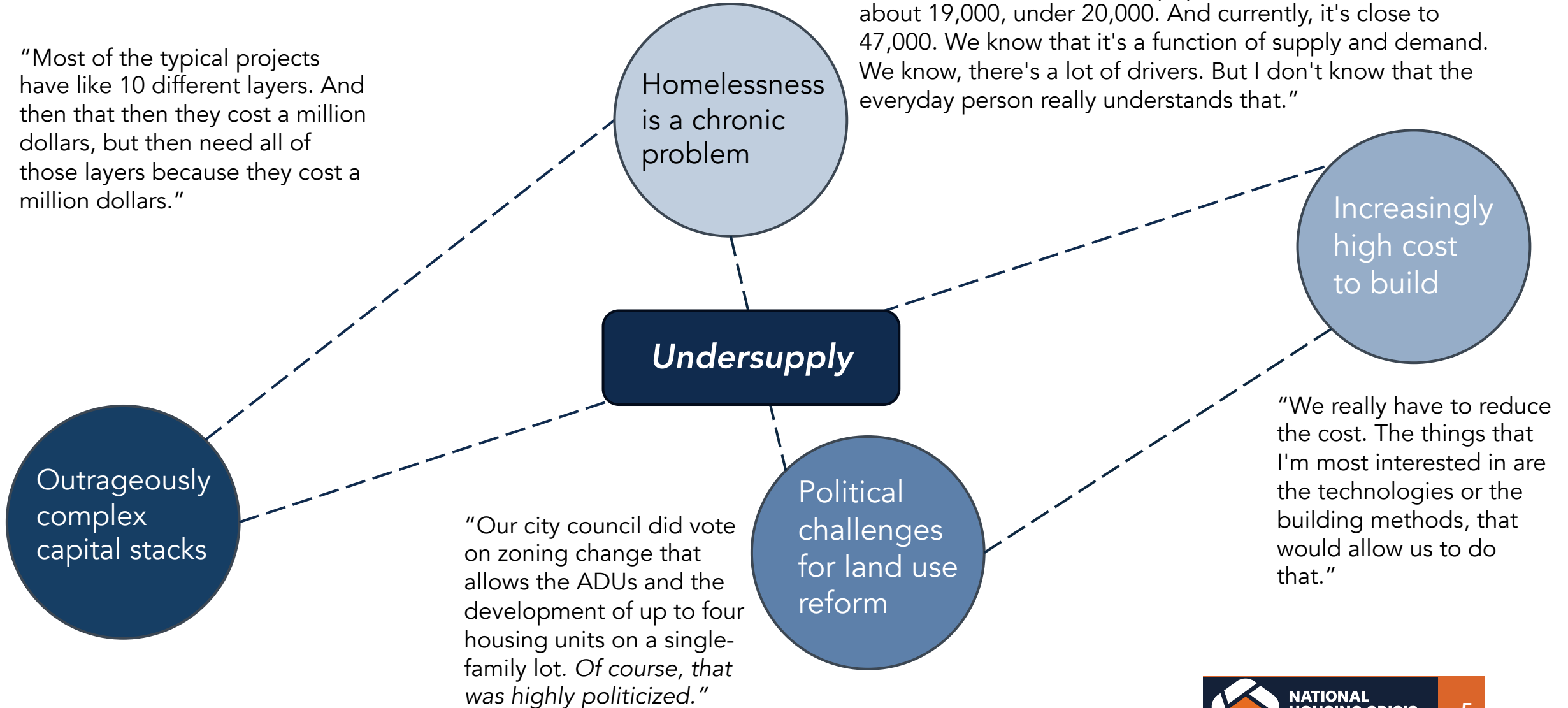
This crisis is deeper and more complex due to decades of compounding problems



Our conversations highlighted the plethora of barriers to increasing housing supply

“Most of the typical projects have like 10 different layers. And then that then they cost a million dollars, but then need all of those layers because they cost a million dollars.”

“In 2009, the homelessness population in the city of LA was about 19,000, under 20,000. And currently, it's close to 47,000. We know that it's a function of supply and demand. We know, there's a lot of drivers. But I don't know that the everyday person really understands that.”



But the problem goes beyond that, existing stock also faces increasing challenges

Insurance

"So that's where you get this this terrible tension in the industry, between the investors and the owners. It really has made it very hard, particularly for nonprofits. Trying to figure out how to cover insurance costs."

Preservation

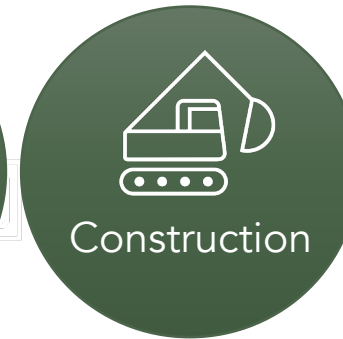
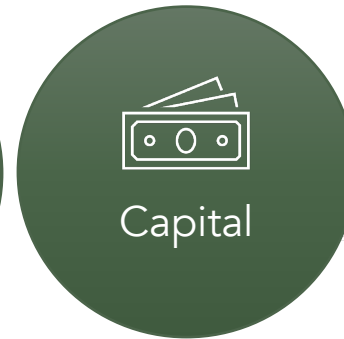
"What is overlooked in most housing policy discussions today are the new threats to affordable housing preservation: deteriorating economic and physical conditions in our communities, the strain that housing providers work under to maintain their portfolios, and systemic failures that allow those conditions to persist."

Scattered site single family

"We have thousands, if not tens of thousands of homes in metro Atlanta that are either off the market because they're dilapidated, substandard, or the being underused, that could be converted to part of the productive housing stock, whether for rental or for sale. And we have to figure out what are the funding mechanisms? How do we do that at scale?"

How have states and locals started to respond to the crisis?

- They have more **power** than they know
- They have more **capital** than they think
- They have **public support** to solve the crisis



States and locals have more power than they know



Land

Most localities don't know how much land they own, but many cities are experimenting with smarter use of their land as an equity investment or operating subsidy.

Austin's Reposition Properties

Port Authority of Cincinnati



Regulation

Local governments may enact regulations that promote the health, safety, and general welfare of their communities — cities are correcting market failures through regulation

New York State Protections

Cleveland Residents First



Delivery

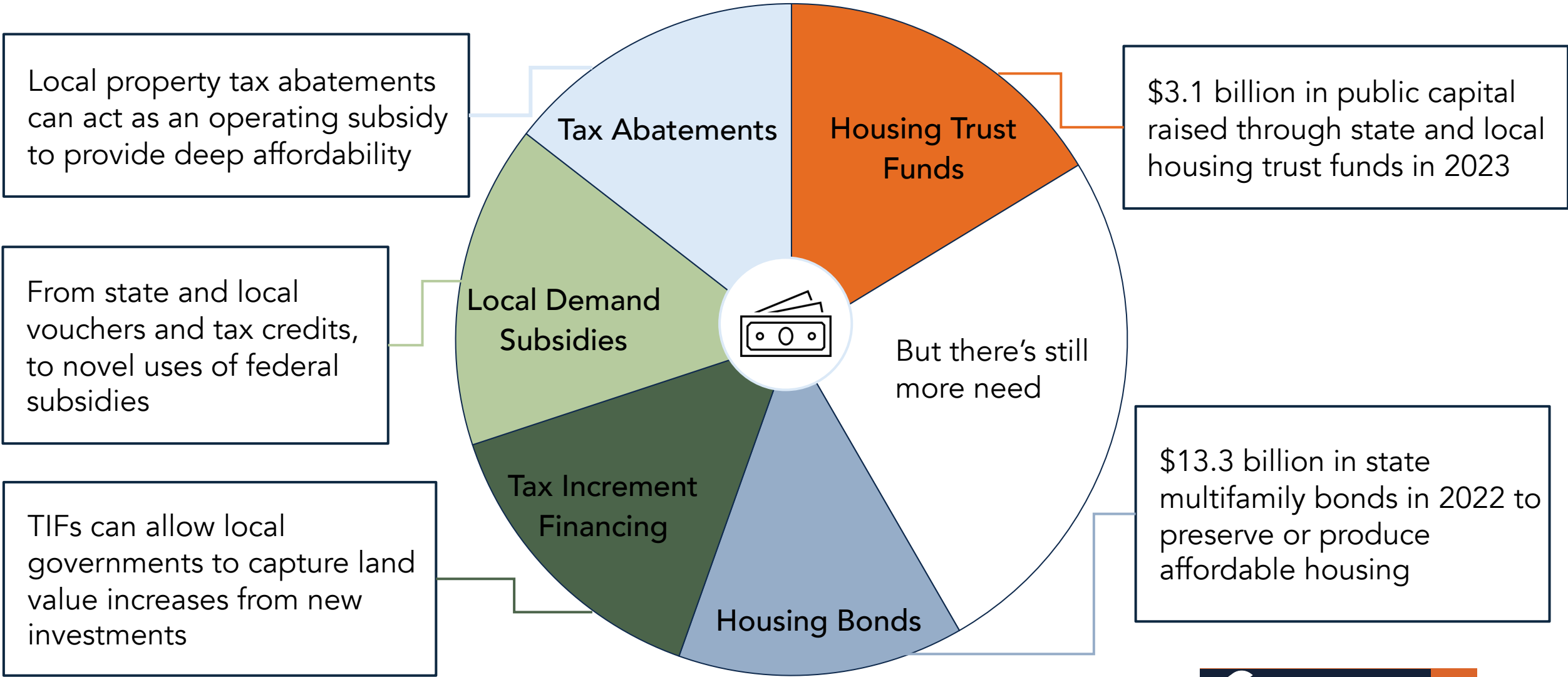
Enabling legislation gave public authorities immense powers — facing a crisis, many are learning how to use them again

Atlanta UDC

Boston Housing Authority



States and locals have more capital than they think: *Local*



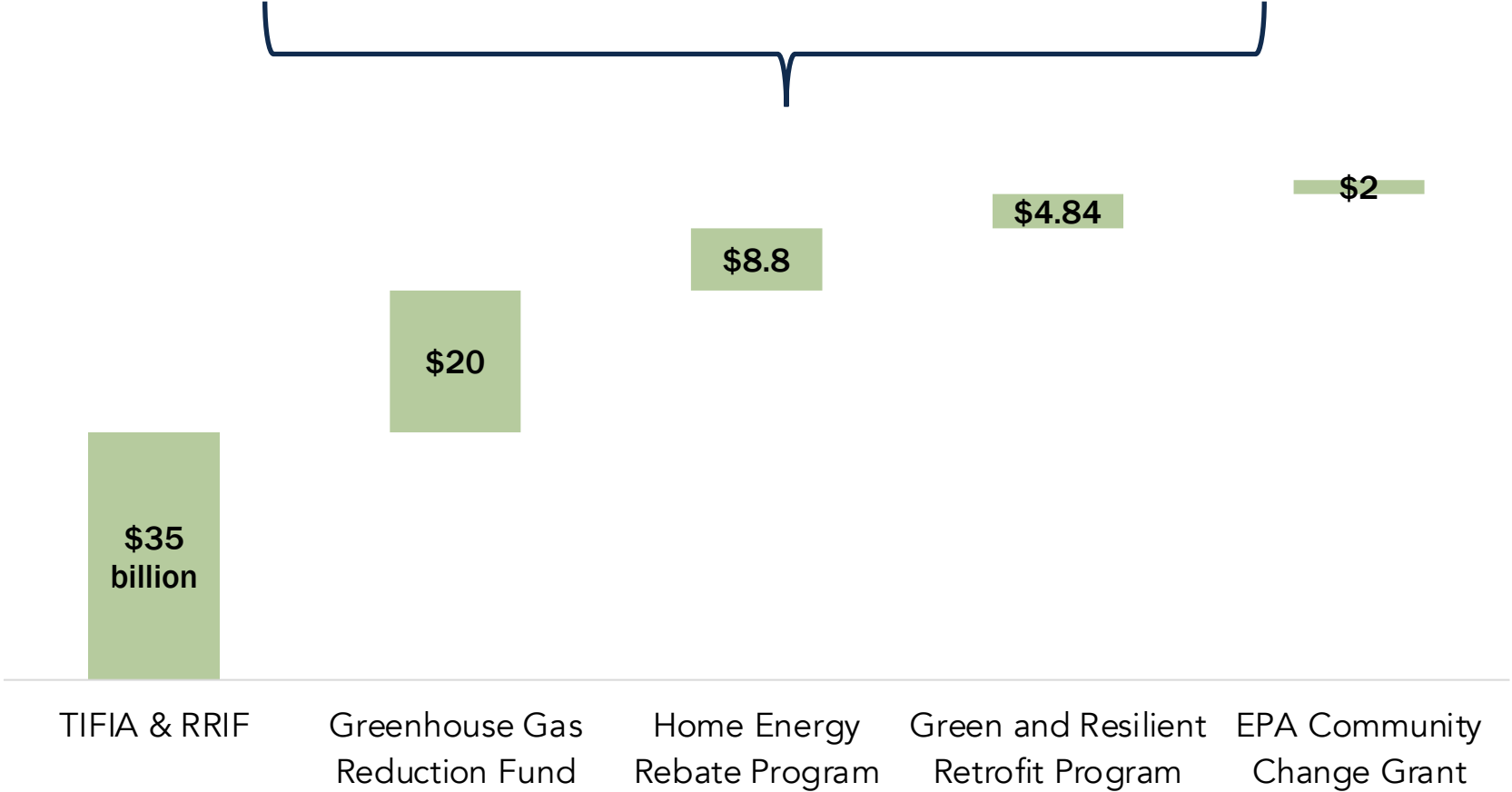
Source: NLIHC 2021

States and locals have more capital than they think: *Federal*

Over \$70 billion in potential federal loans or grants from these five sources


Federal funding sources for climate change mitigation and physical resiliency provide an opportunity to preserve and improve our existing housing stock

Opportunity Zone tax incentives can be used to finance housing production




States and locals have more capital than they think: *Private*


Status Quo



Market's addiction to **short-term, high returns** especially coming out of the Global Financial Crisis



Lower-risk, longer-term capital reserved for "quality": high incomes, gateway cities, luxury assets



Economic cycle made it **more lucrative to buy and raise rents** than to build

Reeducating markets on affordable and workforce housing as an asset class

Educating the market on **affordable housing's true risk-return profile**: supply-demand dynamics, stability over time

Reframing **affordable housing risk as public credit risk**, when payments trace back to public entities

Incentivizing and derisking **new development** for different geographies and incomes (e.g. Opportunity Zones)

They have public support to solve the crisis

The New York Times

What Would Jesus Do? Tackle the Housing Crisis, Say Some Congregations.

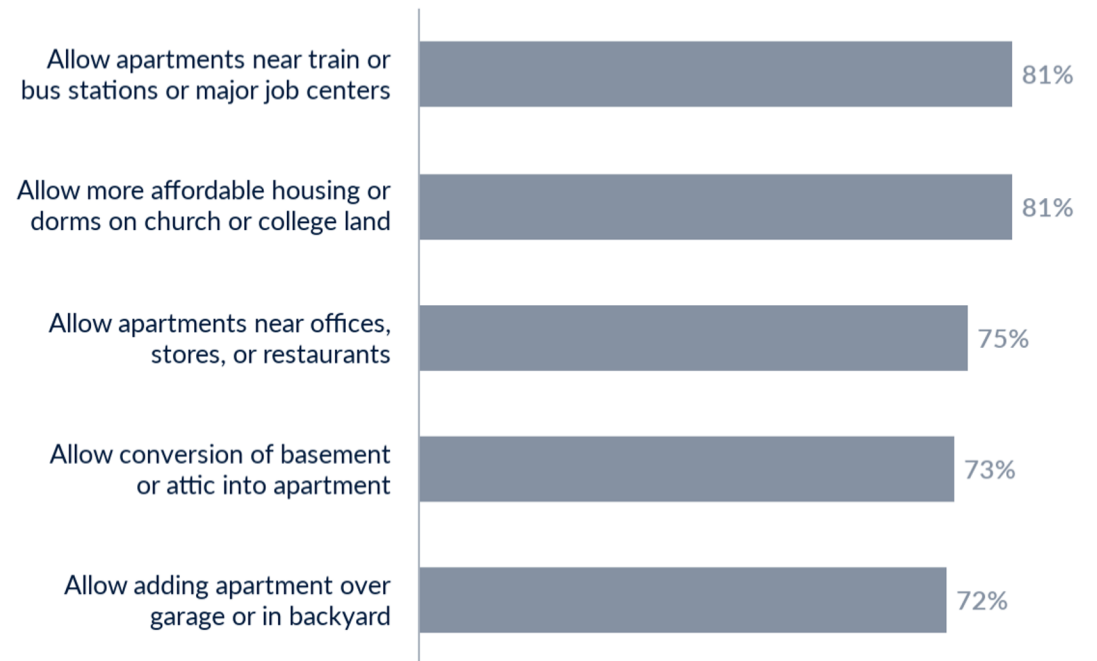
America's Affordable Housing Crisis

The housing crisis is likely to be solved in cities and states, not Washington.

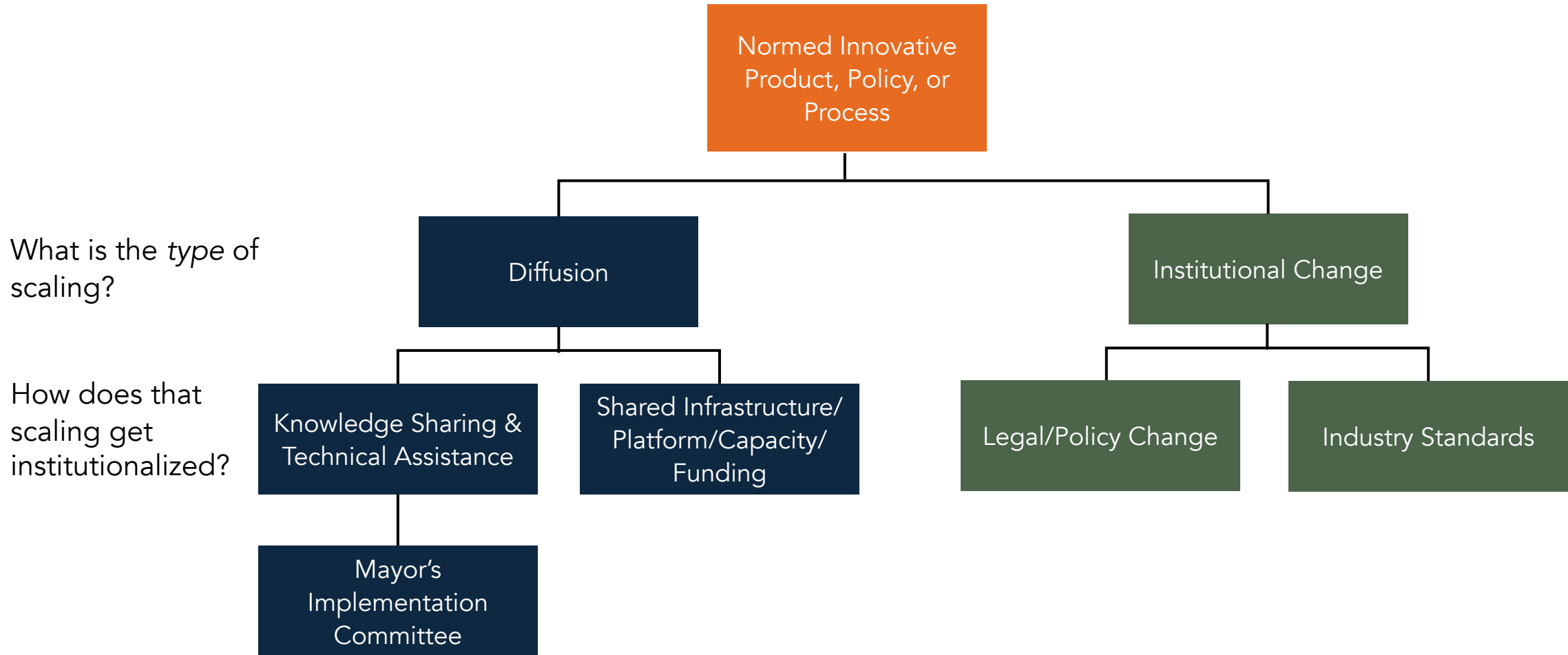
Opinion: Inflation isn't the real problem for the U.S. economy. The housing shortage is

Large Majorities Favor Policies to Allow More Apartments

At least 7 in 10 favor each policy



There are two main pathways for scaling innovations



The 30-year mortgage, a novel financial innovation, required a multi-faceted approach to scale

Rate

How the 30-Year Mortgage Came to Dominate the Industry

Knowledge Sharing &
Technical Assistance



Shared Infrastructure/
Platform/Capacity/
Funding



Legal/Policy Change



Industry Standards

Diffusion of 30-
year mortgage
through VA, GI
Bill

Creation of a
secondary
market, GSEs

Authorization
and creation of
FHA, HOLC

FHA
underwriting
criteria



LIHTC similarly required a multi-faceted approach

SHELTERFORCE



Knowledge Sharing &
Technical Assistance



Shared Infrastructure/
Platform/Capacity/
Funding



Legal/Policy Change



Industry Standards

Developers &
investors learned
how to use a
new capital
source

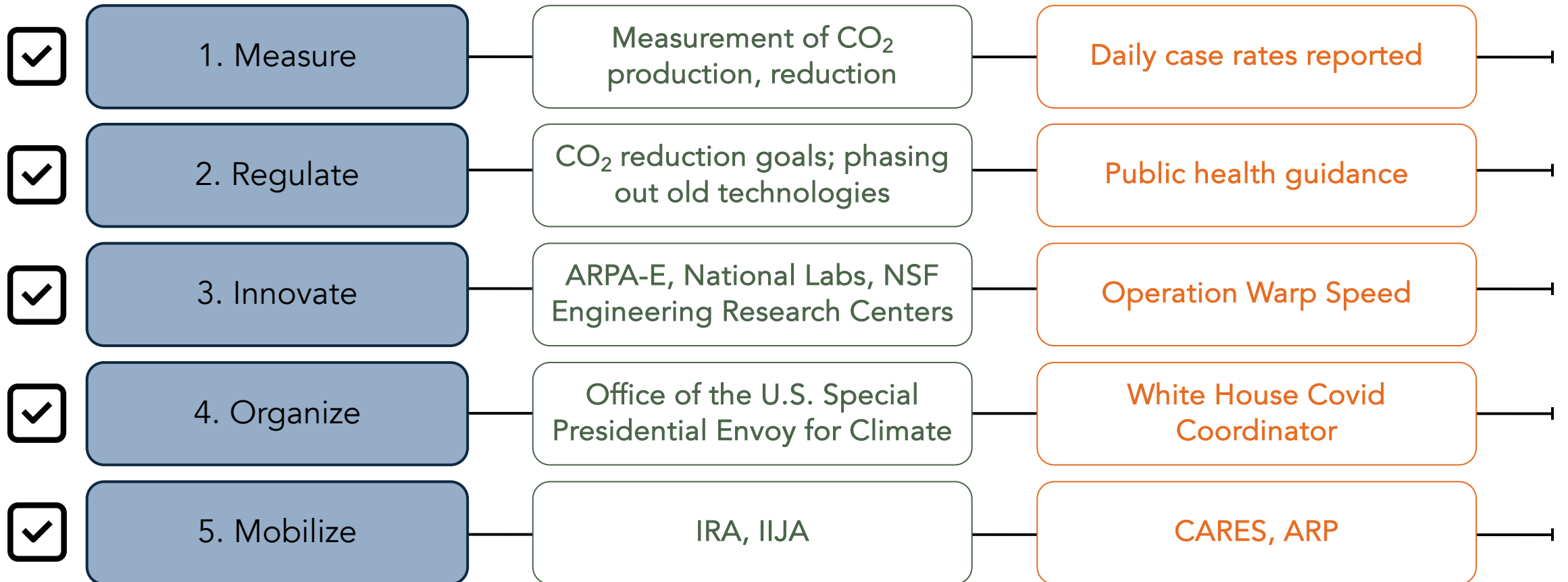
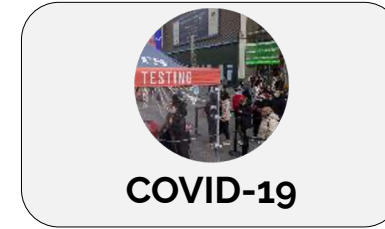
Creation of LISC,
Enterprise

1986 Tax Law
HUD & Treasury
Rules

Reorientation of
affordable
housing subsidy
for LIHTC
compliance



We have a roadmap to treat a crisis like a crisis.



A framework

**The local level knows it's a crisis;
innovative solutions are
emerging and can be scaled**



From a singular program to an all-of-the-above approach

Federal programs to address a single issue:

30-year mortgage

LIHTC



Today we have tens of programs across multiple sectors that are all necessary to get us from **crisis to transformation**



Land can be leveraged in more effective ways

More states and localities need to:



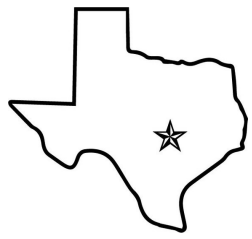
Norm and simplify public land disposition

Properly monetize and leverage the value of public land and assets

Take advantage of opportunities for land value capture and transit-oriented development (TOD)



Scaling local land innovations: Austin Development Advisor



Concept



Local Innovation



Replicable Norm



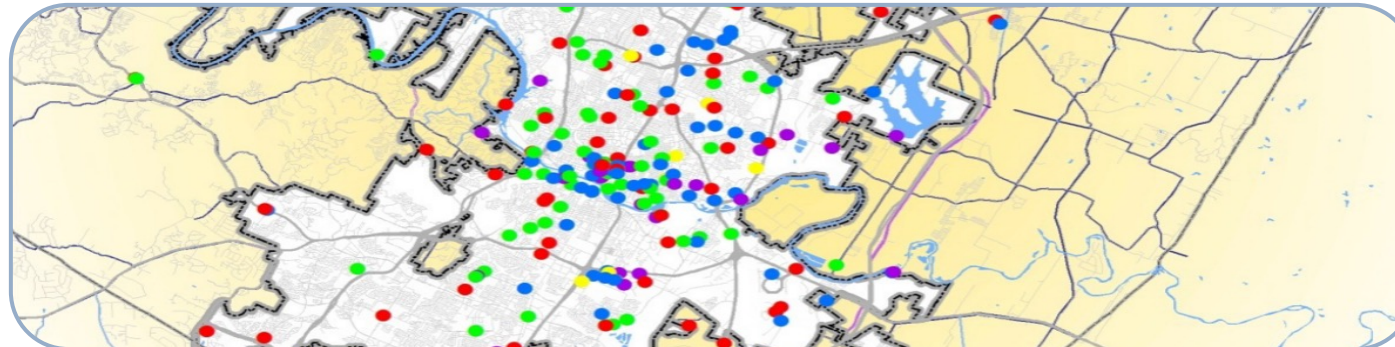
Pathway to Scale

Norm and simplify public land disposition

Austin issuance of an RFP for a "Development Advisor"

Creating a "Municipal Property Advisor" system

Knowledge Sharing



Property Inventory, City of Austin



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Public and private capital can be put to smarter use



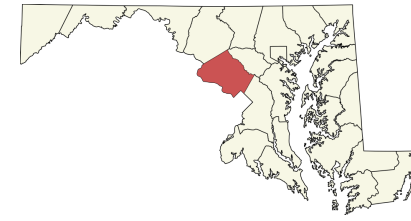
Countercyclical investments to produce affordability

Leveraging capital stacks of private, local, and federal capital

Reframing affordable housing's perceived financial risk



Scaling local capital innovations: Montgomery County Housing Production Fund



Concept



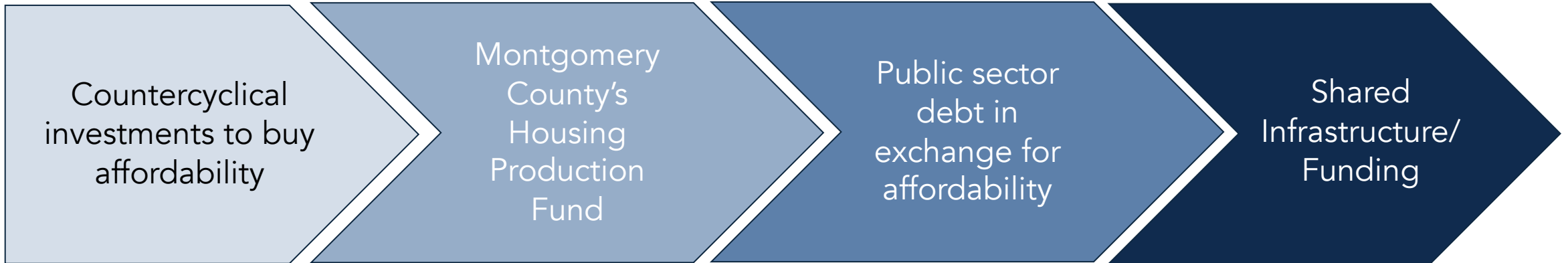
Local Innovation



Replicable Norm



Pathway to Scale



The Laureate

It is time for a construction revolution



Putting existing space to its highest and best use

Government as market making via bond-ability and insurability

Climate change as impetus for revolution in building technologies



Scaling local construction innovations: Atlanta's Two Peachtree



Concept

Putting existing space to its highest and best use



Local Innovation

1960s-era Office-to-residential conversion



Replicable Norm

Financial & architectural analysis of viable conversions



Pathway to Scale

Shared Infrastructure & Regulatory Change



Two Peachtree



NATIONAL HOUSING CRISIS TASK FORCE

Regulation should prioritize residents' interests



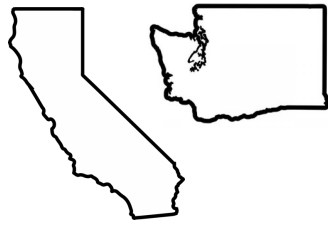
Building code and land use reform for 21st century cities

Data collection & sharing for better resident outcomes

Pairing renter protections with development incentives



Scaling local regulation innovations: Upzoning



Concept



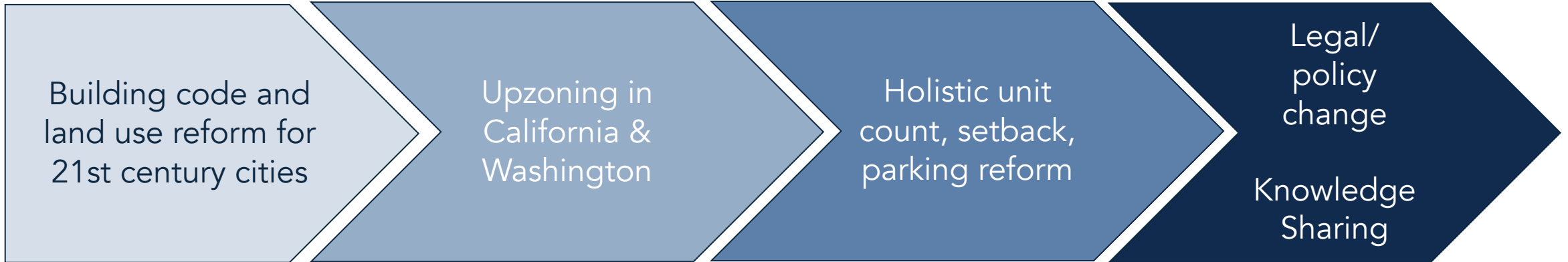
Local Innovation



Replicable Norm



Pathway to Scale



California Senate Bill 9



NATIONAL HOUSING CRISIS TASK FORCE

The system is crying out for simplification, collaboration, and new models for delivery



Delivery

New models for privately constructed affordable housing with public operating subsidy

Adapting or creating intermediaries to norm and spread new innovations

Creating new housing ecosystems — designing affordable housing as pathways, not end goals



Scaling innovative delivery models: San Francisco Housing Accelerator Fund



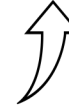
Concept



Local Innovation



Replicable Norm



Pathway to Scale



833 Bryant Street: Tahanan Supportive Housing



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An opportunity

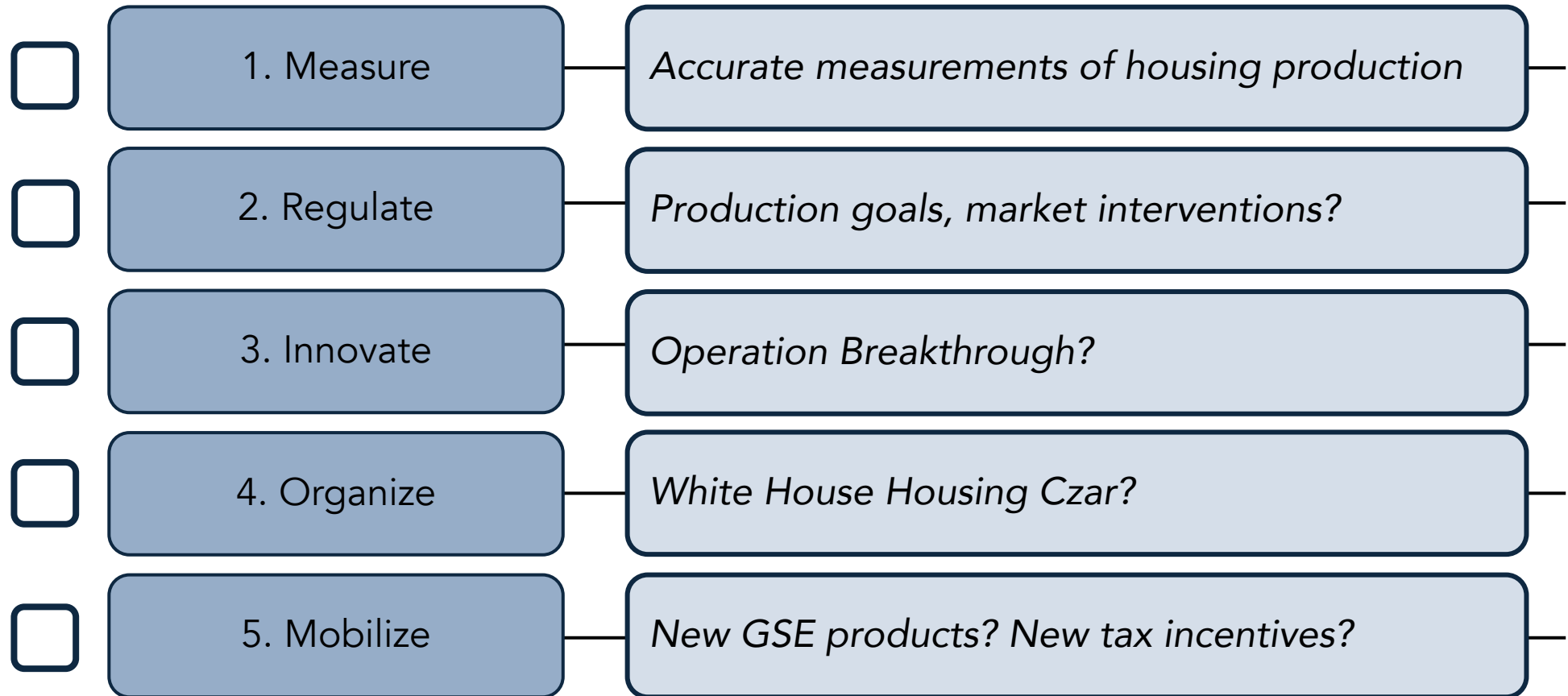
How does the crisis present an opportunity for transforming federal housing policy?



At a minimum, the federal government can supercharge the scaling of local innovations

	Root Causes	Local Innovations	Federal Solutions
Land	Inadequate attention to the land and units we have	<ul style="list-style-type: none"> • Municipal property advisors • Atlanta UDC 	<ul style="list-style-type: none"> • GSA figures out disposition to state and locals
Capital	Capital stacks are insanely complex	<ul style="list-style-type: none"> • Montgomery County Housing Production Fund 	<ul style="list-style-type: none"> • GSE support for permanent mezz debt • TIFIA fixes
Construction	Construction costs continue to climb	<ul style="list-style-type: none"> • Minneapolis scattered site modular • 2 Peachtree, Atlanta 	<ul style="list-style-type: none"> • Federal reinsurance policy for modular
Regulation	Land use and building codes remain a barrier	<ul style="list-style-type: none"> • Los Angeles ED1 • CA, MA TOD Reforms 	<ul style="list-style-type: none"> • Stronger sticks to encourage land use reform
Delivery	Government and intermediaries are built for different problems	<ul style="list-style-type: none"> • San Francisco Housing Accelerator Fund 	<ul style="list-style-type: none"> • Federal experiments to limit funding requirements

The federal government needs to lead where it must



1. Measure

Measure Production

Accurate, locality-specific production and completion counts



Measure Prices

- Federal standards for local rent registries for accurate measurements of landlords, rental prices
- Modern methods for measuring incomes and affordability



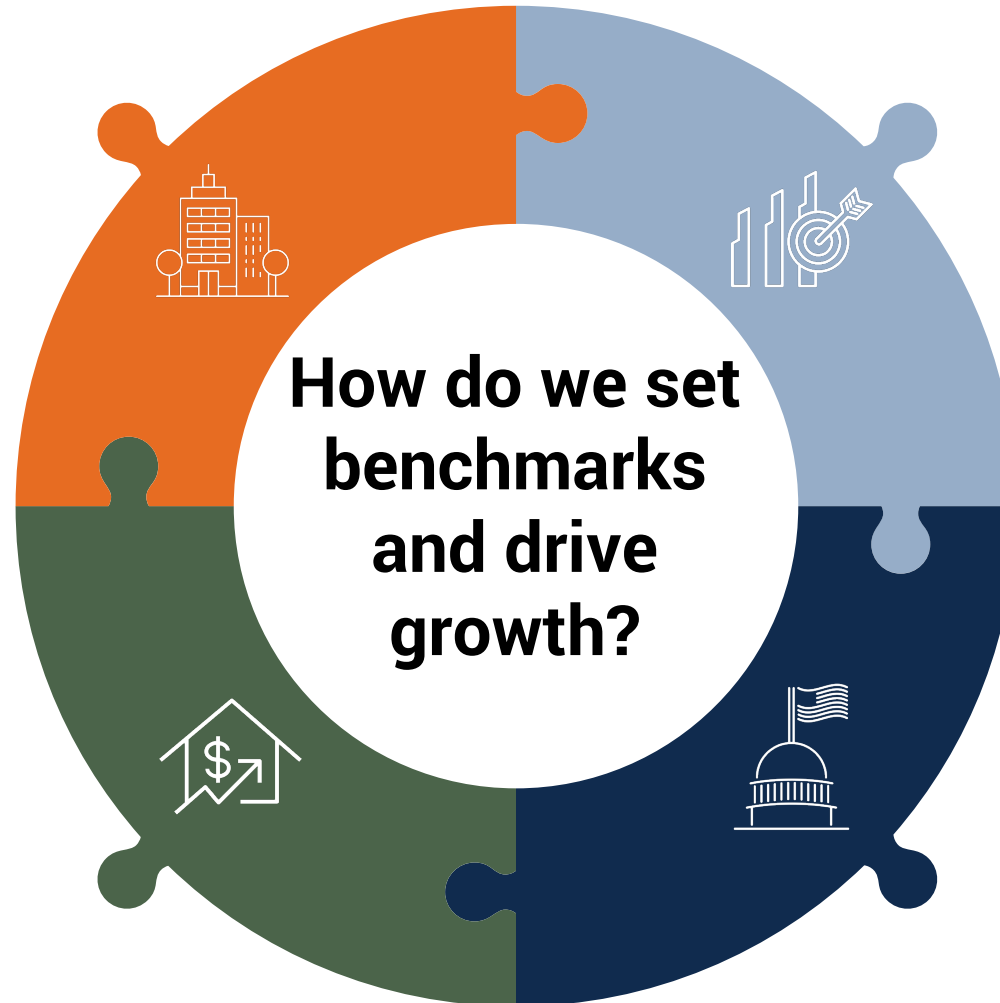
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2. Regulate

Production Targets

Across all levels and typologies — affordable, market rate, single family, multifamily – following the California example

Carrots & Sticks

Utilizing the power of the federal government to create incentives to produce mixed-income social housing, and disincentives to *not* participate

3. Innovate: how can we bring housing innovation back at a national scale?



- a. Enable the federal government to **experiment** and try bold new things – Operation Breakthrough 2.0, Defense Innovation Unit
- b. Create new programs to address the root issues associated with insurance, preservation, and affordability
- c. Update, expand, and enhance core HUD capabilities and programs such as Section 8, RAD, and Choice Neighborhoods to meet the moment

4. Organize: how do we create new positions of power?

Federal Government Reorganization

A White House Czar for Housing

Real interagency coordination on programs and financing

Identifying other federal opportunities to finance and support housing

Intermediaries for the 21st Century

Non-governmental organizations to spread and scale innovations and programs

Public Developers for the 21st century

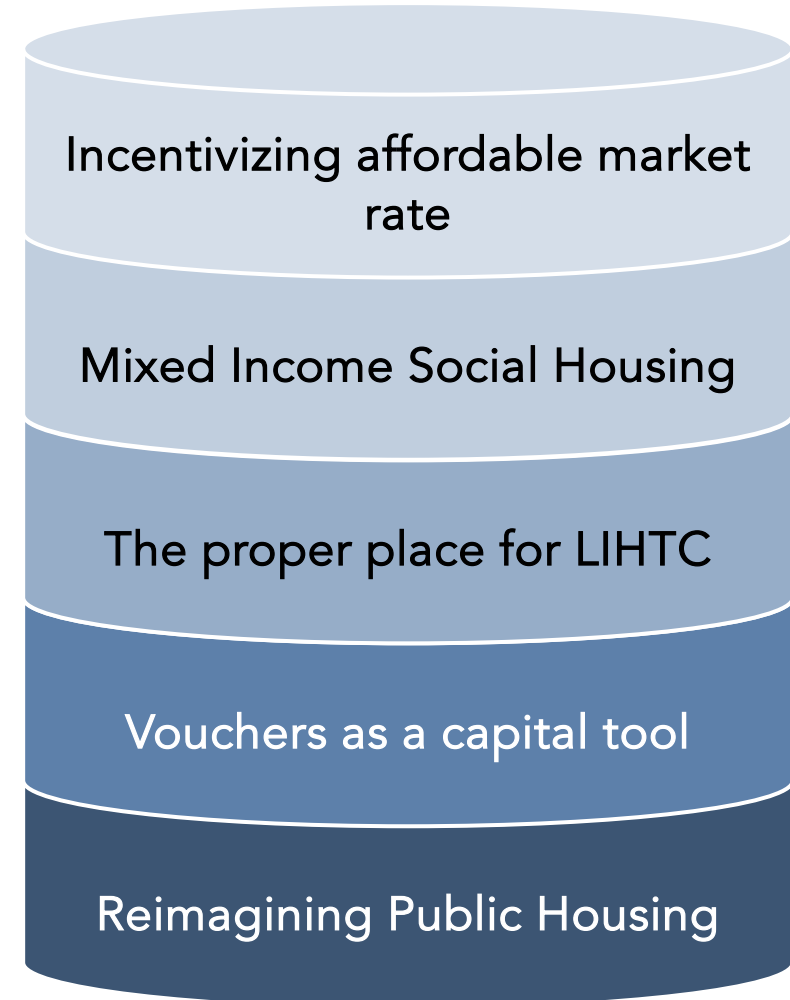
Organizing the power of states and locals for market making



5a. Mobilize: how do we provide capital for every type of housing?

“We now have public schools, and we have charter schools. You've got classical education, you have 100% technology based, arts schools. But at the end of the day, you still have this commitment to a sense of public education. I think that, for me, that's the model for housing... to have it mature and have that level of specialization. We need tools for each of those sectors.”

Priya Jayachandran,
Task Force Interview



5b. Mobilize: how can we harness the 2025 Trump Tax Cuts expiry?



New Revenues

- Creating a system where the federal government reimburses localities for property tax abatements, a *la* PILOTs from state governments for non-profit owned land.

New Incentives

- Manipulating the federal tax code to incentivize the creation of mixed income social housing
- Providing 4% LIHTCs *as of right*

New Programs

- Expanding the wealth-building opportunities for renters and low-income homeowners through the tax code



An imperative

Working together to drive transformative solutions for the housing crisis



We know it's a crisis – our job is to harness the crisis for transformation

Guiding Principles

Treat this as a true crisis

Seize on the opportunities in front of us

Elevate local solutions that work

Propose mechanisms to scale

Activate the federal government where needed

Task Force Deliverables

A housing innovation toolkit with model innovations

A national policy agenda to drive national change

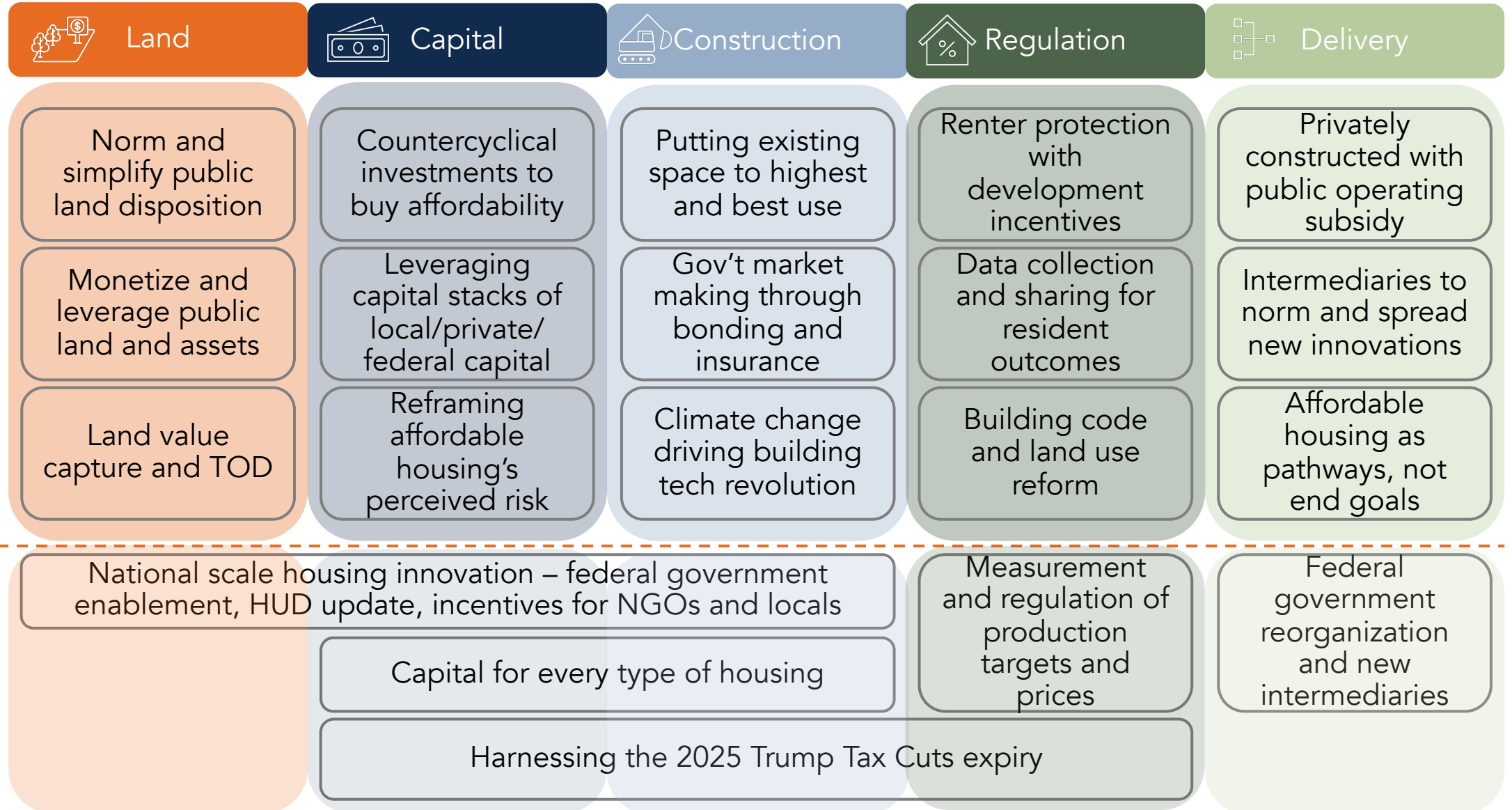
Mayors' implementation committee
Implementation cohorts & city exhibitions

Outcome

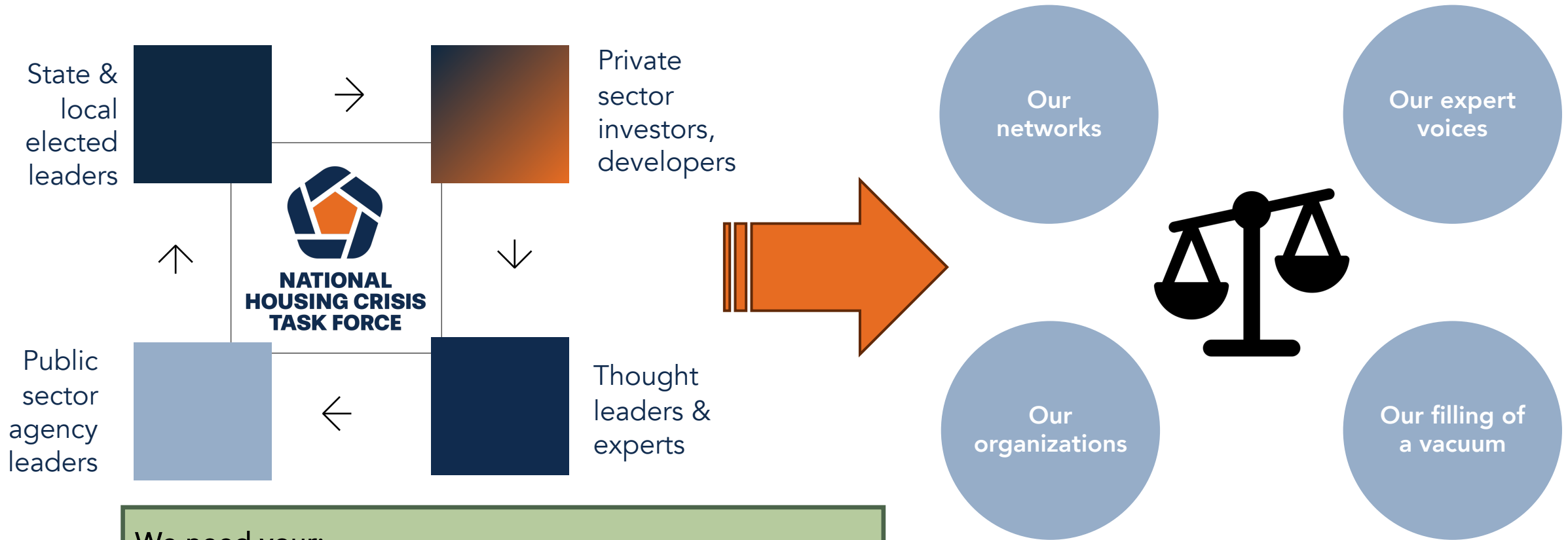
Transform the housing ecosystem in the US so that people of all incomes can afford to live in the places they wish to call home.



Proposed workstreams



We have more power than we realize to shift the crisis towards transformation



We need your:

- Critical feedback
- Critique of local innovations and mechanisms to scale
- Transformative ideas for the housing ecosystem
- Engagement on deliverables within your interest areas



It's time to get to work



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**This Is the
Moment for
Change**



**A Coalition
of the
Exceptional**



**Not Just
Another
Report**



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